

THIRD QUARTER 2020

2015

Financial markets continued to rebound in the third quarter, helped by ongoing improvement in consumer and business-related economic data. Investors assessed a number of developments including COVID-19 in addition to the U.S. election outlook and prospects for additional fiscal stimulus in the U.S. Global equities exceeded pre-virus highs in the quarter – though a down month in September reduced the quarterly gain to about 8%. Across regions, U.S. equities generally topped their non-U.S. peers with help from continued strong performance in large technology companies. Central bank policy globally remains extremely accommodative with little in the way of policy changes in the quarter, though the Federal Reserve announced an update to its inflation targeting framework. U.S. interest rates remained stable throughout the quarter, while credit spreads declined overall despite a modest uptick in September.

In the third quarter, risk assets generally outperformed risk control assets despite losing some momentum in September after strong gains in the first two months of the quarter. Returns were stronger in global equities compared to real assets and high yield fixed income. Risk control assets saw low-single-digit positive returns with slightly higher returns in inflation-linked fixed income compared to investment grade fixed income. Across the spectrum of Goal Engineer portfolios, the GE 2040 portfolio posted the highest return for the quarter, while the GE Stable Income portfolio posted the lowest return. This is as we expected since GE portfolios earlier in the glidepath have a higher allocation to risk assets than portfolios later in the glidepath. The GE portfolios underperformed in the quarter with somewhat more underperformance in the portfolios earlier in the glidepath due to more drag from factor-based equity fund implementation. From a fund implementation standpoint, the top contributors to relative performance in the quarter were our global listed infrastructure strategy (NFRA) and our value-scored high yield fixed income strategy (HYGV), while the main detractors for the quarter were our quality dividend U.S. equity strategy (QDF), our quality large cap U.S. equity strategy (QLC) and our quality dividend international equity strategy (IQDF).

IMPORTANT INFORMATION: Northern Trust Investments, Inc. (NTI) is an investment adviser registered with the Securities Exchange Commission under the Investment Advisers Act of 1940. The company manages a variety of portfolios utilizing stocks, bonds, and exchange-traded funds (ETFs). The information contained herein is intended for use with current or prospective clients of Northern Trust Investments, Inc. The information is not intended for distribution or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation. Northern Trust and its affiliates may have positions in and may effect transactions in the markets, contracts and related investments different than described in this information. This information is obtained from sources believed to be reliable, and its accuracy and completeness are not guaranteed. Information does not constitute a recommendation of any investment strategy, is not intended as investment advice and does not take into account all the circumstances of each investor.

This report is provided for informational purposes only and is not intended to be, and should not be construed as, an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Recipients should not rely upon this information as a substitute for obtaining specific legal or tax advice from their own professional legal or tax advisors. References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. Indices and trademarks are the property of their respective owners. Information is subject to change based on market or other conditions.

All securities investing and trading activities risk the loss of capital. Each portfolio is subject to substantial risks including market risks, strategy risks, adviser risk and risks with respect to its investment in other structures. There can be no assurance that any portfolio investment objectives will be achieved, or that any investment will achieve profits or avoid incurring substantial losses. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Risk controls and models do not promise any level of performance or guarantee against loss of principal. Any discussion of risk management is intended to describe Northern Trust's efforts to monitor and manage risk but does not imply low risk.

For Illustrative Purposes Only. Unique glide paths are designed for each plan sponsor, taking into consideration the liability profile of the plan(s) and the objectives of the plan sponsor client.

Forward-looking statements and assumptions are NTI's current estimates or expectations of future events or future results based upon proprietary research and should not be construed as an estimate or promise of results that a portfolio may achieve. Actual results could differ materially from the results indicated by this information.

There are risks involved in investing including possible loss of principal. There is no guarantee that the investment objectives of any fund or strategy will be met. Risk controls and models do not promise any level of performance or guarantee against loss of principal. Past performance is no guarantee of future results. FlexShares™ ETFs and Northern Funds are sub-advised by Northern Trust Investments, Inc. For more information on the investment objectives, principle risks, and fees associated with these Funds, please see each Fund's prospectus and statement of additional information ("SAI"), which are available on the Advisors' websites at northernfunds.com and flexshares.com.

NTI generally utilizes its own funds within this strategy. NTI receives various fees from the funds via the fund expense ratios. Clients will incur these fees. Clients who access these portfolios through a financial intermediary firm will typically pay additional fees to that firm. Clients should speak to their Financial Advisor for more information. Financial intermediaries that employ NTI for model management or overlay services may compensate NTI for those services a fee of up to 0.25%.

© 2020 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A.

Northern Trust Asset Management is composed of Northern Trust Investments, Inc. Northern Trust Global Investments Limited, Northern Trust Fund Managers (Ireland) Limited, Northern Trust Global Investments Japan, K.K, NT Global Advisors Inc. (NTGA), 50 South Capital Advisors, LLC and investment personnel of The Northern Trust Company of Hong Kong Limited, Belvedere Advisors LLC and The Northern Trust Company.